

Message Text

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SECDEF WASHDC PRIORITY

INFO JCS WASHDC

USCINCEUR VAIHINGEN GER

AMEMBASSY PARIS

NSE/NSSG BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 3045

E.O. 11652: GDS: 12-31-80

TAGS: NATO, XG, ETRN

SUBJECT: REPORT OF CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC)

MEETING OF 28-29 MAY 1974

DEFENSE FOR OASD/I&L, MR. NOLAD AND COMPT, MR. UMBERGER; STATE
FOR EUR/RPM, MR. REHFELD; JCS FOR J-4 PETROLEUM; USCINCEUR FOR
J-4 JPO; AMEMB PARIS FOR MR. HJMPHREYS; NSE/NSSG FOR MR. MINER.

REFS: A. USNATO 2002

B. USNATO 0925

BEGIN SUMMARY. MAY 1974 CEPPC MEETING COVERED FOLLOWING: INCREASE
OF MILITARY STORAGE TARIFF; DECREASE IN CIVIL MOVEMENTS AND
INCREASED OPERATIONAL COSTS RESULTING IN INCREASE IN ESTIMATE
OF NET DEFICIT; FRENCH INABILITY TO REPORT ON RAPPORTEUR PROPOSAL
FOR RESOLVING TAX ISSUE; APPROVAL OF PART OF SECOND SUPPLEMENTARY
BUDGET; APPROVAL OF GERMAN AGREEMENT FOR CIVIL MOVEMENT AND
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BELGIAN PROPOSAL TO MODIFY THEIR VEHICLE POOL. SECOND CALL FOR
CEPS CONTRIBUTIONS SPARKED DISCUSSION OF US POSITION NOT TO
CONTRIBUTE UNTIL DECISION IS REACHED ON BURDENSARING AND CEPS.
OTHER COMMITTEE MEMBERS ASKED THAT US AUTHORITIES BE REQUESTED

TO CONSIDER INTERIM PAYMENT (12 PER CENT) OF CALLS FOR CONTRIBUTION AND

APPROVED SECOND CALL CONTINGENT UPON A FAVORABLE US REPLY. ACTION REQUESTED. WASHINGTON GUIDANCE ON WHETHER AND UNDER WHAT CONDITIONS WE SHOULD MAKE INTERIM PAYMENT AS PROPOSED UNDER ITEM V. END SUMMARY

COMMENTS ON AGENDA ITEMS FOLLOW:

II. APPROVAL OF SUMMARY RECORD (AC/120-R/201)

COMMITTEE APPROVED RECORD WITH NUMEROUS MINOR CHANGES WHICH WILL APPEAR IN CORRIGENDUM.

III. FINANCIAL PROBLEMS TO BE STUDIED BY CEPPC

(A) INCREASE OF MILITARY TARIFFS

AT PREVIOUS CEPPC AND CEPO MEETINGS, ALL NATIONS EXCEPT GERMANY AND FRANCE HAD AGREED TO AN INCREASE TO 3.0 CEPS UNITS IN THE MILITARY STORAGE TARIFF. GERMANY AND FRANCE NOW REPORT THEIR AGREEMENT TO THIS INCREASE. IN REPLY TO FRENCH QUESTION, GENERAL MANAGER STATED THAT CEOA DOES NOT INTEND TO REQUEST ANY FURTHER INCREASES IN MILITARY TARIFFS THIS YEAR, BUT ANTICIPATES PROPOSING INCREASES FOR NEXT YEAR AS NECESSARY TO RECOUP COSTS.

(B) INCREASE OF CIVIL TARIFFS

CEOA SUMMED UP SITUATION AS FOLLOWS:

REVENUE FROM FRENCH INCREASED CIVIL TARIFFS WILL NOT COVER INCREASED OPERATIONAL COSTS. CEOA HAS ASKED FRENCH AUTHORITIES TO FURTHER INCREASE TARIFFS AS SOON AS PRACTICABLE.

IN NETHERLANDS, AUTHORITIES ARE STILL NEGOTIATING PROPOSED INCREASES WITH CIVIL COMPANIES WITH RESULTS EXPECTED BY JUNE MEETING. NEGOTIATIONS IN GERMANY ARE ALSO CONTINUING. SOME CONFIDENTIAL

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OF GERMAN COMPANIES CONSIDER PROPOSED TARIFFS TOO HIGH (15 PER CENT INCREASE PROPOSED). FURTHER, INTERNATIONAL MOVEMENTS HAVE ALMOST STOPPED IN GERMANY WHERE OIL DEPOTS ARE FULL.

BELGIUM HAS PROPOSED (SEE ITEM IX) SUBSTANTIAL INCREASES AND INDICATES WILLINGNESS TO WORK ON FURTHER INCREASES AS REQUIRED.

(C) TAXATION OF CEPS OPERATIONS

AT LAST MEETING (REPORTED REF A), COMMITTEE HAD AGREED TO PROVIDE OPPORTUNITY FOR FRANCE TO RESPOND TO RESOLUTION OF TAXATION ISSUE AS PROPOSED BY RAPPORTEUR (DUPONT). FRENCH REP STATED THAT HE HAD NOTHING OFFICIAL TO REPORT AT THIS TIME. COMMITTEE EXPRESSED

DESIRE TO PROVIDE FRANCE WITH OPPORTUNITY TO RESPOND; HOWEVER, THERE WAS A LIMIT TO HOW LONG IT COULD WAIT FOR REPLY. FRANCE AGREED TO ATTEMPT RESPONSE BY NEXT MEETING.

IV. ANNUAL REPORT TO THE NATO PIPELINE COMMITTEE FOR 1973

COMMITTEE NOTED REPORT (AC/120-D/855).

V. SECOND CALL FOR CONTRIBUTIONS (AC/120-D/854)

GENERAL MANAGER INTRODUCED DOCUMENT AND FURNISHED THE CURRENT CEPS FINANCIAL SITUATION. CEOA NOW EXPECTS NET COST OF SYSTEM FOR 1974 TO BE AT LEAST FF 45 MILLION. NOTE: THIS REPRESENTS AN INCREASE OF FF 5.0 MILLION OVER LAST REPORTED ESTIMATE (SEE REF B). END NOTE. THIS "DEFICIT" INCLUDES THE APPROVED INCREASES IN MILITARY TARIFFS AND CERTAIN DECREASES IN CIVIL MOVEMENTS. IT NOW APPEARS THAT TRAFFIC ON LAVERA-STRASBOURG LINE WILL DECREASE BY 600,000 CUBIC METERS, WHICH BY ITSELF TRANSLATES TO A REVENUE LOSS OF FF 4.5 MILLION. NO MOVEMENT OF CIVIL PRODUCTS IS TAKING PLACE BETWEEN BELGIUM AND GERMANY AND TRAFFIC IS DOWN IN THE NETHERLANDS DIVISION. DISCUSSION CONCERNING WAYS TO INCREASE CIVIL TRAFFIC RESULTED IN PROPOSAL THAT CEPO AT THEIR NEXT MEETING CONSIDER REQUEST TO PERMIT MOVEMENTS OF DIESEL FUEL (CIVIL) WHICH DOES NOT MEET F-54 SPECIFICATIONS. HOST NATIONS REPORTED THAT, IF APPROVED, THIS PROPOSAL SHOULD INCREASE CIVIL MOVEMENTS. GENERAL MANAGER POINTED OUT THAT NEW NET DEFICIT INCLUDES COST OF THE FIRST SLICE OF ADN ENGINE REPLACEMENT PROCUREMENT, WHICH HE DOUBTS CAN BE CARRIED OUT IN THIS YEAR. HE WARNED THAT THIS CONFIDENTIAL

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POSSIBLE REDUCTION IN 1974 BUDGET COSTS COULD BE OFFSET BY FUTURE LABOR AND FUEL COST INCREASES.

COMMITTEE MEMBERS, IN DISCUSSING SECOND CALL FOR CONTRIBUTIONS, DEPLOYED THE US POSITION ON CEPS AND BURDENSARING (REPORTED BY REF B) WHEREIN US COULD NOT AGREE TO ANY CEPS CONTRIBUTIONS UNTIL SOME DECISION IS REACHED ON CEPS AND BURDENSARING. CEOA PROPOSED THIS EARLIER-THAN-USUAL SECOND CALL BECAUSE OF US POSITION (REPORTED REF A). IF OTHER NATIONS COULD AGREE TO SECOND CALL, CEOA ESTIMATED SUFFICIENT FUNDS TO OPERATE THROUGH AUGUST. NETHERLANDS REPORTED ITSELF AWAITING INSTRUCTIONS ON THIS ITEM. BELGIUM STATED THAT IT RESERVES POSITION ON SECOND CALL UNTIL US RECHECKS ITS POSITION WITH ITS AUTHORITIES. OTHER COUNTRIES COULD APPROVE CALL BUT URGED THAT US AUTHORITIES BE REQUESTED TO REEXAMINE POSITION WITH VIEW TOWARD PARTICIPATION IN SOME PORTION OF CONTRIBUTIONS, WITH ASSURANCE THAT SUCH ACTION WOULD NOT PREJUDICE US POSITION IN REGARD TO CEPS AND BURDENSARING. US REP (WITKO) REVIEWED FOR COMMITTEE THE US POSITION WHICH WE HAD STATED AS EARLY AS LAST NOVEMBER WHEN THE 1974 BUDGET WAS FIRST CONSIDERED AND WHICH WE HAD REITERATED AT SUBSEQUENT MEETINGS. THE US DID THIS WITH THE SINCERE HOPE THAT A DECISION ON A PARTICULAR COST-SHARING FORMULA WOULD HAVE BEEN REACHED BY NOW. THE US HAD ALSO STATED PREVIOUSLY THAT

PROGRESS IN REDUCING THE NET DEFICIT OF CEPS OPERATION WOULD BE
CONSIDERED IN ITS APPROACH TO BURDERNSHARING. US REP CONCLUDED THAT
PROGRESS TO DATE ON BOTH COUNTS HAS BEEN DISAPPOINTING, BUT THAT
THE US CONTINUED TO HOPE THAT EARLY RESOLUTION OF THIS
PROBLEM CAN BE ACHIEVED.

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GENERAL MANAGER POINTED OUT THAT, IF COMMITTEE DID NOT APPROVE
SECOND CALL AT THIS MEETING, CEOA WOULD NEED AUTHORIZATION TO ARRANGE
FOR LOAD SINCE A SECISION AT JUNE MEETING WOULD BE TOO LATE TO
PROVIDE FUNDS FOR CONTINUED OPERATION OF CEPS. AS A SUGGESTION,
GERNERAL MANAGE ASKED IF US COULD NOT AGREE TO A SMALL INTERIM
CONTRIBUTION, SUCH AS 12 PERCENT OF THE FIRST AND SECOND CALLS.
THIS WAS STRONGLY SUPPORTED BY OTHER COMMITTEE MEMBERS. US REP
STATED THAT HE WOULD CONVEY THIS REQUEST TO HIS AUTHORITIES. BELGIUM
STATED THAT IT COULD APPROVE SECOND CALL, CONTINGENT UPON US AGREEMENT

TO A 12 PERCENT CONTRIBUTION TO THE FIRST TWO CEPS CALLS
FOR CONTRIBUTION AND FURTHER CONTINGENT UPON COMMITTEE'S AGREEMENT
TO HOLD SERIOUS DISCUSSIONS SO AS TOMAKE PROGRESS ON A NEW COST-
SHARING FORMULAT AT THE JUNE MEETING. COMMITTEE AGREED TO LATTER
PROPOSAL AND INSTRUCTED CEOA TO PREPARE PAPER WHICH WOULD DEVELOP
COST-SHARING FORMULA TAKING INTO ACCOUNT INEQUITIES OF TAXES, HOST
NATION BENEFITS, GUARDING AND OTHER ISSUES WHICH COMMITTEE HAS
BEEN SEEKING TO RESOLVE OVER PAST YEARS. (CEOA PAPER WILL BE
FURNISHED WASHINGTON UPON RECEIPT.)

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COMMITTEE APPROVED SECOND CALL, SUBJECT TO CONFIRMATION OF NETHERLANDS AND THE LIFTING OF US RESERVATION. MISSION COMMENT: IT WOULD APPEAR THAT WITHHOLDING OF THE US CONTRIBUTION TO THE FIRST CALL FOR CEOA FUNDS HAS ACCOMPLISHED PART OF OUR OBJECTIVE, I.E, THE SHORTAGE OF FUNDS CAN NOW BE USED TO FOCUS ATTENTION ON THE INEQUITIES IN TAXATION POLICY AND HOST NATION CONTROL ENVISAGED IN THE CONDITION POSED BY BELGIUM ON ITS APPROVAL OF THE ECONC CALL FOR FUNDS. THE REMAINDER OF OUR OBJECTIVE (OFFICIAL REDUCTION OF OUR COST SHARE OF THE DEFICIT) MUST BE LEFT TO THE WORKING GROUP UNDER DEPUTY SYG PANSA APPOINTED BY THE COUNCIL. CEOA NOEW ESTIMATES THAT FAILURE TO APPROVE IMMEDIATELY THE SECOND CALL FOR FUNDS WOULD LEAVE THE SYSTEM BANKRUPT BEFORE THE END OF JUNE, THUS TOO LATE FOR RESOLUTION AT THE 21 JUNE MEETING.MOST LIKELY RESULT OF SUCH FAILURE WOULD BE REPORT BY CHAIRMAN CEPPC AND GENERAL MANAGER CEOA TO THE SYG AND COUNCIL REQUESTING IMMEDIATE NATIONAL CONTRIBUTIONS OR AUTHORITY TO NEGOTIATE LOAN IN ORDER TO MEET PAYROLLS BEYOND END JUNE. ALTERNATE SOLUTION AVAILABLE IS FOR CEOA TO SUSPEND PORTIONS OF PAYMENTS TO HOST NATIONS, WHO WOULD THUS BE OBLIGED TO QTE PREFINANCE UNQTE SOME OF THEIR PERSONNEL COSTS. MISSION BELIEVES THERFORE THTAT SOME METHOD SHOULD BE FOUND TO ALLOW US TO AGREE TO AN INTERIM US CONTRIBUTION OF UP TO 12 PER CENT FOR THE FIRST AND SECOND CALLS. ONE CONDITION WHICH WE MIGHT REQUIRE WOULD BE CEPPC AGREEMENT TO A NEW COST SHARING FORMULA AT THE JUNE MEETING. OTHER POSSIBLE CONDITIONS ARE IMMEDIATE OR RETROACTIVE INCREASES IN MILITARY AND/OR CIVIL TARIFFS, FRENCH AGREEMENT TO

TAX RELIEF AND REDUCTION OF TRAPIL FEES, AND HOST NATION AGREEMENT TO FOOT SOME OF THE COSTS FOR EXCESSIVE OPERATING AND GUARDING PERSONNEL. ACTION REQUESTED: WASHINGTON GUIDANCE ON 1) WHETHER MISSION SHOULD AGREE TO INTERIM PAYMENT TOWARD FIRST AND SECOND CALLS FOR 1974 CEPS CONTRIBUTIONS, 2) AT WHAT PERCENTAGE LEVEL AND 3) UNDER WHAT CONDITIONS. END COMMENT

VI. SECOND SUPPLEMENTARY BUDGET 1974 (AC/120-D/854)

COMMITTEE APPROVED ANNEX B OF DOCUMENT WHICH REGULARIZES COMMITMENTS APPROVED BY CEPPC IN 1972. ANNEX C WAS WITHDRAWN FROM CONSIDERATION SINCE IT IS UNDER STUDY BY USEUCOM. QUESTION BEING INVESTIGATED CONCERNS EXPECTED USE OF NEW PIPELINE BRANCH TO RHINE MAIN AB BY US FORCES IN PEACETIME.
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VII. SPECIAL HANDLING CHARGE FOR PUMPING OPERATIONS FROM OLDENBURG TO FARGE (AC/120-D/859)

BELGIUM QUESTIONED LOW RATE PROPOSED BY CEOA OF 1.5 CEPS UNITS TO PUMP MILITARY PRODUCTS THROUGH GERMAN NATIONAL PIPELINE TO FARGE. CEOA WILL RECHECK AND RPROVIDE FURTHER DETAILS.

VIII. NON-NATO MOVEMENTS KEHL-TUBINGEN (AC/120-D/860)

GENERAL MANAGER INTRODUCED DOCUMENT AND EXPLAINED THE MAXIMUM THROUGHPUT GUARANTEE AND PENALTY CONDITIONS FOR THIS PROPOSED AGREEMENT WITH GERMANY TO PERMIT LTG COMPANY TO CONNECT TO THE CEPS AND MOVE CIVIL PRODUCTS THROUGH IT. COMMITTEE NOTED DOCUMENT AND APPROVED PROPOSAL.

IX. NON-NATO MOVEMENTS IN BELGIUM

BELGIUM REP (COL BIKAR) ADVISED THAT THE PROPOSED TARIFFS (WHICH PROVIDE FOR RATE INCREASES VARYING FROM 24 TO 59 PERCENT) ARE CONSIDERED AS MINIMUM AND THAT HIGHER RATES WOULD BE SOUGHT AS CONDITIONS DEMAND. SINCE FORMAT FOR STATING CHANGES WAS DIFFERENT FROM CEOA PRACTICE, CEOA WILL REWRITE AND RESUBMIT DOCUMENT.

X. PROPOSED MODIFICATION OF THE VEHICLE POOL OF THE BELGIAN DIVISION

COMMITTEE APPROVED CEOA RECOMMENDATION ON PROPOSAL WITH CANADIAN AMENDMENT WHICH AUTHORIZES BELGIUM TO PURCHASE UP TO 30 NEW VEHICLES AS SPECIFIED OVER A PERIOD OF NO MORE THAN FIVE YEARS. PURCHASES WILL REPLACE BELGIAN MILITARY VEHICLES LOANED TO BELGIAN PIPELINE DIVISIONS. INCREASING COSTS FOR LOAN OF MILITARY VEHICLES COMPARED WITH PROPOSED PROCUREMENT WILL RESULT IN OVERALL SAVING OF 225,000 BELGIAN FRANCS.

XI. ANY OTHER BUSINESS

(A) CEOA INTRODUCED DOCUMENT OAG(74)474, PROVIDED AT MEETING, WHICH REQUESTED AUTHORITY TO SEEK BIDS FOR REPLACEMENT OF A BOILER FOR CEOA BUILDING AT VERSAILLES. BOILER WAS NOT REPARABLE AND CONSTITUTED SAFETY HAZARD. COMMITTEE APPROVED URGENT REQUEST FOR FF 20,000 AND ASKED THAT ITEM BE PLACED IN FUTURE 1974 SUPPLEMENTARY CONFIDENTIAL

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BUDGET.

(B) BELGIUM OFFERED CRITICAL COMMENTS CONCERNING DOCUMENT AC/120-D/862, SUBJECT: FIXED PARITY VS FLOATING RATES. THEY FEEL THAT CEOA BILLING SHOULD BE BASED ON FLOATING EXCHANGE RATES AND NOT OFFICIAL PARITY RATES, AS IS COMMON PROCEDURE FOR THE CIVIL AND MILITARY BUDGET OF NATO. CANADA, MR. DUNCAN, WILL PROVIDE CEOA WITH CM DOCUMENT ON CIVIL AND MILITARY BUDGET FINANCING. THE COMMITTEE AGREED THAT CEOA SHOULD MEET IN SPECIAL SESSION WITH MR. DUNCAN AND MR. DUPONT AT THE JUNE 1974 CEPPC MEETING TO DISCUSS THE PROBLEM AND FORMULATE REVISED PAPER.

XII. DATE AND PLACE OF NEXT MEETING

NEXT MEETING WILL BE AT VERSAILLES ON 19, 20, 21 JUNE
RUMSFELD

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<< END OF DOCUMENT >>

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